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May 15, 2007

**AGENDA ITEM 8**

**TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Recommendation for Approval of Award of Contract, RFP No. 2006-3937, Third Party Medical Administrator Contract for Self-Funded Plans to Blue Cross of California
- II. PROGRAM:** Self-Funded Health Plans
- III. RECOMMENDATION:** Staff recommends that the Health Benefits Committee recommend that the Board of Administration award the Third Party Medical Administrator for Self-Funded Plans Contract to Blue Cross of California.

**IV. ANALYSIS:**

Background

At the February 21, 2007, meeting of the Health Benefits Committee (HBC), the HBC directed CalPERS staff to begin negotiations with the designated finalist, Blue Cross of California (Blue Cross). In the event that such negotiations were unsuccessful, staff was directed to begin negotiations with the next highest ranked semi-finalist, United Healthcare. This recommendation was approved at the February 22, 2007, Board of Administration meeting. The HBC further stated its concern over Blue Cross' levels of transparency of pricing information and innovation, particularly in the context of supporting direct negotiations with providers on behalf of CalPERS. At the March 13, 2007, HBC meeting, staff informed the Committee that negotiations were still in progress.

Negotiations on all major issues have now been completed and the contract has been reviewed by both CalPERS and Blue Cross.

As a result of the negotiations, CalPERS will gain significant improvements in the areas of transparency, innovation, disease management, and willingness to share risk with CalPERS.

Next Steps

Under the terms of the RFP, notice of CalPERS intent to award to Blue Cross will be posted in CalPERS Contract Management Section and at [www.calpers.ca.gov](http://www.calpers.ca.gov) for five (5) State business days before the award of contract is made.

**V. STRATEGIC PLAN:**

This item supports Health Goal XII: Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost.

**VI. RESULTS/COSTS:**

Staff anticipates CalPERS will recover the cost incurred on the Medical Administrator RFP through additional pricing transparencies, advantages, and efficiencies.

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